

# STATE OF NEBRASKA

OFFICE OF THE GOVERNOR  
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Mike Johanns  
Governor

May 26, 2003

Mr. President, Mr. Speaker, and  
Members of the Legislature  
State Capitol  
Lincoln, Nebraska 68509

Dear Mr. President and Members of the Legislature:

With this letter, I am returning LB 407 without my signature and with my objections.

We disagree on the philosophical premise from which to frame state spending over the next two fiscal years. Over four and one-half months ago, I delivered a proposal for the 2003-2005 budget biennium for your consideration. These recommendations were based upon five principles:

- 1) that the State budget must reflect economic reality;
- 2) that spending reductions must be the major part of the budget solution—not tax increases;
- 3) that overall structural balance had to be accomplished so that spending will not forever outpace our citizens' ability to pay for their government;
- 4) that we first meet our core responsibilities for safe communities, ensuring care for our most vulnerable citizens, and the health and safety of our children; and
- 5) that the State cash reserve fund be protected and increased because of continued economic uncertainty and as a contingency against the possibility of an adverse opinion in the low-level radioactive waste site litigation.

I acknowledged that the recommendations presented for your consideration represented stout fiscal medicine and that difficult choices to reduce spending could not be avoided. My overall budget recommendations reduced the budget by 2.9 percent for fiscal year 2004 and maintained a no-growth budget for the budget biennium.

Legislative Bill 407 and certain other budget-related legislation you have presented to me are in conflict with the basis of my original budget recommendations and my continuing position about the size of state spending that can be afforded by the citizens of Nebraska during these difficult economic times. LB 407 does not reduce the state budget. According to your own general fund financial status, spending will grow by over 1% for fiscal year 2004 and by over 2.4 % for the budget biennium. This spending increase is financed by sales taxes, income taxes, excise taxes, and the taxation of additional services.

Mr. President and Members of the Legislature  
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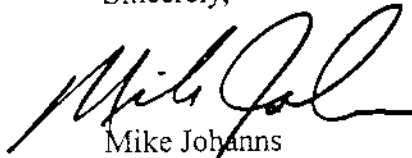
Furthermore, safe communities have been, and continue to be, a priority in my administration. As you know, I take great exception with your decision to eliminate \$7.3 million dollars necessary to incarcerate convicted felons — a reduction that you intend be accomplished by closing the Lincoln Correctional Center and releasing inmates into our communities.

Additionally, I urged you to protect and increase our Cash Reserve Fund because of continued economic uncertainties and a possible adverse opinion in our low-level radioactive waste litigation. You used monies from this fund to balance your spending plan.

Legislative Bill 407 and the other budget-related legislation you presented to me conflicts with the policy principles that I asked you to consider. The legislation represents spending in excess of that which can be afforded by Nebraskans during these difficult economic times.

For these reasons, I urge you to sustain my veto of Legislative Bill 407.

Sincerely,



Mike Johanns  
Governor

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Mr. President, Mr. Speaker, and  
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Dear Mr. President and Members of the Legislature:

With this letter, I am returning LB 540 without my signature and with my objections.

I appreciate the difficult decision that the Legislature has made to address our State's current budget shortfall by including a reduction in public school aid and community college aid funding for the next two fiscal years. I cannot, however, support the provisions of the bill that raise the maximum allowable levy from \$1.00 to \$1.05 without a vote of the people. I firmly believe that Nebraskans are asking for greater spending restraint at all levels of government. That is not the approach taken by this legislation. Rather, if the full authority granted by LB 540 were exercised by schools and community colleges, property taxes levied statewide in the next fiscal year, alone, could be increased by \$63 million dollars.

LB 540 provides a two-year approach to the direction that our State is heading with respect to our school aid formula. The bill fails to address the anticipated growth that the current formula will generate in the out-biennium and into the future. I believe that, collectively, we need to address this critical spending issue.

For these reasons, I urge you to sustain my veto of LB 540.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Johanns".

Mike Johanns  
Governor

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Mike Johanns  
Governor

May 26, 2003

Mr. President, Mr. Speaker,  
and Members of the Legislature  
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Lincoln, Nebraska 68509

Dear Mr. President and Members of the Legislature:

I am returning LB 759 and LB 759A without my signature and with my objections.

LB 759 makes the cigarette, income and sales tax rate increases approved in the last legislative session permanent, expands the sales tax base, increases the alcohol tax, and makes other tax changes. Collectively, the tax increases proposed in the bill have been characterized as only being intended to "fill-in the gap" between the proposed General Fund appropriations for the biennium and existing, available revenue. This approach to taxation appears to be driven by the needs of government spending rather than by a long-term policy perspective.

Once again, the Legislature is balancing the State's budget by asking Nebraskans to pay more taxes from their already limited resources. Annualized over the next four calendar years, these tax increases reflect a nearly \$1 billion dollar drain on Nebraskans' wallets. This increased tax burden makes it more expensive for our small businesses to operate, for our families to thrive, and for our retirees to live on their fixed incomes.

As proposed in LB 759, these taxes are permanent increases. Even still, the receipts that these taxes will bring us provide only a short-term solution. The General Fund Financial Status, calculated by your fiscal office, already anticipates annual spending growth to be 9.9% in FY2005-06 and 7.5% in FY2006-07. This nearly double-digit projected growth in state spending coupled with tax revenues that are forecasted to increase -- even under the rosiest of scenarios -- by only 5.5% - 7% per year continue to take Nebraska down an unfortunate path of unsustainable spending growth and uncertain fiscal stability.

I urge you to sustain my vetoes of LB 759 and LB 759A.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mike Johanns", written over a horizontal line.

Mike Johanns  
Governor